

General Information Letter: General discussion of qualifications for credits.

July 16, 2002

Dear:

This is in response to your letter dated June 6, 2002 in which you state the following:

I was told that you may be able to answer the following questions regarding Schedule 1299-D. Our company, which is located in Illinois Enterprise Zone 4, brought the two buildings it is doing business in this year. In looking at Schedule 1299-D, I have questions regarding the criteria on the following:

1. Part II High Impact Business Investment Credit
What specific criteria must a company have to be considered a "High Impact" Business?
2. Part IV Enterprise Zone Investment Credit
Is only a High Impact Business eligible for this credit?
3. Part IV Training Expense Credit
Our company has full time staff members dedicated to training people to provide transportation to handicapped individuals under a contract with the Chicago Transit Authority. Is any of the salary paid to staff members eligible for the Training Expense Credit?

According to the Department of Revenue ("Department") regulations, the Department may issue only two types of letter rulings: Private Letter Rulings ("PLR") and General Information Letters ("GIL"). The regulations explaining these two types of rulings issued by the Department can be found in 2 Ill. Adm. Code §1200, or on the website <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

Due to the nature of your inquiry and the information presented in your letter, we are required to respond with a GIL. GILs are designed to provide background information on specific topics. GILs, however, are not binding on the Department.

The High Impact Business Investment Credit is codified at Section 201(h) of the Illinois Income Tax Act ("IITA"). See 35 ILCS 5/101 et seq. Said statute provides that the High Impact Business Investment Credit is available for qualified property which is placed into service by a Department of Commerce and Community Affairs designated High Impact Business. The specific criteria that must be met in order to be deemed a High Impact Business are found in Section 5.5 of the Illinois Enterprise Zone Act (20 ILCS 655/5.5). Additional guidance may be found in the Illinois Department of Revenue Income Tax regulations pertaining to the High Impact Business Investment Credit found at 86 Ill. Adm. Code 100.2130. You may also contact the Department of Commerce and Community Affairs regarding criteria for certification as a High Impact Business.

The Enterprise Zone Investment Credit is codified at Section 201(f) of the IITA. Said statute provides that the Enterprise Zone Investment Credit is available for investment in qualified property which is placed in service in an Enterprise Zone created pursuant to the Illinois Enterprise Zone Act. The terms "qualified property" and "placed into service" are also defined in said Section 201(f). Please be

advised that the credit is not available for property that has been used previously in Illinois in such a manner and by such a person as would qualify for the Enterprise Zone Investment Credit or Investment Credit. This is a separate credit and is not limited to High Impact Businesses. Additional guidance may be found in Section 100.2110 of the Illinois Department of Revenue Income Tax Rules.

The Training Expense Credit is codified at Section 201(j). Section 201(j) provides for a credit against the tax imposed by the IITA for all amounts paid or accrued for employees of the taxpayer for educational or vocational training in semi-technical or technical fields or semi-skilled or skilled fields. The Illinois Department of Revenue has promulgated regulations pertaining to the Training Expense Credit which may be found at 86 Ill. Adm. Code 100.2150. A Training Expense Credit is allowed for compensation of employees for time spent in training others in in-house training, however, the compensation must be prorated based on the amount of time actually spent in conducting the training.

I have enclosed a copy of Section 5.5 the Illinois Enterprise Zone Act, Section 201 of the IITA and 86 Ill. Adm. Code 100.2110, 100.2130 and 100.2150 for your convenience.

As stated above, this is a general information letter which does not constitute a statement of policy that either applies, interprets or prescribes tax law. It is not binding on the Department. Should you have additional questions, please do not hesitate to contact our office.

Sincerely,

Matthew S. Crain
Staff Attorney -- Income Tax